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SUBJECT: U.S. AMBASSADOR TO ISRAEL DISCUSSES OLMERT VISIT,
PALESTINIAN ASSISTANCE WITH FRENCH MFA

Classified By: Acting Political Counselor Bruce Turner, reasons 1.4 (b)
and (d).

11. (C) Summary: Visiting U.S. Ambassador to Israel Richard Jones briefed French MFA A/S-equivalent for NEA Jean-Francois Thibault May 26 on the PM Olmert visit to Washington; he also stressed the need to maintain consensus on Palestinian assistance, while reiterating U.S. opposition to payment of PA salaries. Thibault welcomed President Bush's appeal for Olmert to engage with PA President Abbas, but expressed concern that both Israel and the Hamas-led PA may be moving towards unilateral approaches. Thibault also noted that President Chirac will stress the importance of direct Israeli-Palestinian negotiations during Olmert's expected June 13-14 visit to France. On Palestinian assistance, Thibault reiterated GoF attachment to finding a way to pay PA salaries in health/education sectors at minimum, but conceded that such piecemeal proposals could be difficult to implement without crossing Quartet red-lines or fueling inter-Palestinian tensions. End summary.

OLMERT VISIT, ISRAEL'S RELATIONS WITH FRANCE, EUROPE

12. (C) U.S. Ambassador to Israel Richard Jones, accompanied by Acting Pol M/C and poloff, reviewed the just-concluded PM Olmert visit to Washington with French MFA A/S-equivalent for North Africa and Middle East Jean-Francois Thibault May 26. Thibault commended President Bush's appeal to Olmert to engage in direct negotiations with PA President Abbas, and expressed hope that Olmert's Washington visit would be the prelude to a revival of the political process. At the same time, Thibault expressed concern that the Israeli PM might set excessively tough pre-conditions which would preclude direct talks with Abbas in the near term. MFA Acting DAS-equivalent for Egypt/Levant Martin Juillard noted comments in Olmert's May 23 press conference, for instance, in which the Israeli PM suggested that dismantling of terrorist militias could be a precondition of sitting down with Abbas. Without offering direct criticism of Olmert's realignment plan, Thibault expressed concern that both the Israelis and Palestinians were moving in the direction of unilateral approaches. He observed that, in anticipation of possible, Israeli unilateral declarations on the West Bank, Hamas might be tempted to pursue a unilateral approach, focusing on social (vice external) issues, as a means consolidating its grip on Palestinian society.

3, (C) Ambassador Jones, in response, cited the recent meeting between Abbas and FM Livni in Egypt and ongoing Israeli contacts with Sa'eb Erekat and Muhammad Dahlan as signs of continued GOI willingness to talk to Palestinians outside the Hamas government. Jones also noted Israeli public support for a significant withdrawal from the West Bank and Olmert's desire to move quickly, before other issues

overtake his agenda. Thibault agreed with Jones on the need for Europe and the U.S. to send consistent messages to both the Israelis and Palestinians; he noted that President Chirac would reinforce the importance of direct talks with Abbas during Olmert's June 13-14 visit to France to launch the new "France-Israel Foundation." Thibault described the foundation -- a GoF funded entity intended to boost civil society contacts -- as the latest in a series of GoF initiatives to improve the image of France in Israel, and vice-versa. Jones described the Olmert visit to France as well-timed, and indicative of Israel's desire to broaden its support base beyond the U.S. He commended the EU border assistance monitoring mission in Rafah, which Thibault concurred was indicative of a much improved European-Israeli relationship, compared to just one year ago.

PALESTINIAN ASSISTANCE/SALARIES , FUNDING MECHANISM

14. (C) On Palestinian assistance, Thibault noted that the EU was working hard to formulate and reach agreement by mid-June on a temporary international funding mechanism, which should include measures to pay salaries in the health and education sectors. Thibault stressed President Chirac's desire to find a solution with the "broadest possible" parameters, not limited to humanitarian aid only. He reiterated the GoF view that a severe humanitarian and security crisis in the Palestinian territories was looming, if quick action was not taken on salaries.

15. (C) Ambassador Jones agreed with Thibault's assertion that the international community should not punish the Palestinian people for "exercising their democratic choice," and added that this was precisely why the U.S. had increased Palestinian aid by 57 percent. The U.S. was not cutting off

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the Palestinian people; we were simply redirecting aid so it did not reach the Hamas-led government. Jones reiterated continued U.S. opposition to payment of PA salaries, noting that salaries made up the major portion of the PA budget, so relief on this point would eliminate our primary pressure point on the PA. Payment of salaries to select groups of PA employees would create an invidious situation which other categories of unpaid employees, particularly security forces, would find hard to tolerate -- a point conceded by Thibault, who also noted the difficulty of remaining within Quartet red-lines as long as the PA Ministry of Finance remained in charge of delivering salaries.

16. (C) In closing comments, Thibault expressed hope that the U.S. was not convinced that continued pressure on the Hamas government would lead to its rapid downfall and a Fatah comeback. He asserted that Arab nationalist and socialist movements like Fatah were disappearing throughout the Arab world, with Islamists gaining the upper hand. Thibault concluded that figures like PA PM Haniyeh would be on the scene for a long time, and the international community would need to learn how to cope with them. Ambassador Jones responded that the U.S. had no illusions that the balance of power between Hamas and Fatah would shift overnight, and that, in the meantime, we were looking to Fatah to reform itself. At the same time, the international community must remain firm in putting stark choices before the Hamas-led PA.

Thibault agreed on the latter point, and noted that the Quartet principles were not conditions imposed from the outside, but represented the basic principles for government. The problem remained, however, that the timetable for Hamas' political evolution did not match the fast-deteriorating situation on the ground.

COMMENT

17. (C) Although Thibault tends towards a non-confrontational approach, we were surprised by his lack of probing questions

on the realignment plan, given traditional French neuralgia on unilateral approaches. In follow-up discussions, Thibault's MFA subordinates told us the GoF was pleased with the Olmert visit to Washington, because of the President's strong emphasis on negotiations, and because the U.S. had not offered the full endorsement of realignment the GoF had feared. End comment.

18. (U) Ambassador Jones cleared this message.

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